

Message Text

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ORIGIN ARA-17

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FM SECSTATE WASHDC

TO AMEMBASSY GUATEMALA PRIORITY

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E. O. 11652: GDS

TAGS: PFOR, GT

SUBJECT: PRE- IG REVIEW OF CASP

1. SUMMARY: PRE- IG MET APRIL 13 TO CONSIDER GUATEMALA CASP. PRINCIPAL SUBJECTS DISCUSSED WERE ACTIONS NEEDED TO OBTAIN GREATER GOG FISCAL SELF- HELP EFFORT, AND AID LOAN PROGRAM PROPOSED FOR FY 75. PRE- IG ALSO DISCUSSED APPROPRIATE US REACTION TO THREAT OF OUTBREAK OF NEW CYCLE OF VIOLENCE DURING 1974. END SUMMARY.

2. ECONOMIC DEVELOPMENT: THE PRE- IG CONCURRED IN THE COUNTRY TEAM' S ASSESSMENT OF THE CHALLENGES AND OPPORTUNITIES FACING US AND THE ISSUES THESE RAISE.

A. PRE- IG AGREED THAT AID/ W SHOULD SEEK A COORDINATED APPROACH BY INTERNATIONAL LENDERS TO URGE GREATER FISCAL SELF- HELP EFFORT BY GOG. WE PLAN TO PURSUE THIS SUBJECT WITH IDB AND IBRD IN FORTHCOMING REVIEW OF LENDING PROGRAMS AND FOLLOW- UP MEETINGS. WE MAY ALSO SEEK TO WORK WITH IMF ON THIS MATTER GIVEN THEIR LEADING ROLE IN 1972 GUATEMALA CIAP REVIEW. HOWEVER WE ARE DISINCLINED TO CONSIDER THIS APPROACH IN THE NATURE OF A
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CONSULTATIVE GROUP (WITH INITIALS IN CAPS) SINCE THE ELABORATE MACHINERY INVOLVED IN SUCH A FORMAL ARRANGEMENT WOULD NOT SUBSTANTIALLY IMPROVE ON INFORMAL COORDINATION.

(RECENT EXPERIENCE IN OTHER LATIN AMERICAN COUNTRIES SHOWS THAT FORMALIZED EFFORT HAS TENDED TO BECOME COUNTERPRODUCTIVE.) WE SHALL SEEK TO AVOID CASTING AID IN THE ROLE OF SPOKESMAN FOR THE GROUP.

B. PRE- IG BELIEVED THAT COORDINATION WITH OTHER AGENCIES IN WASHINGTON SHOULD NOT PRECLUDE DIRECT EFFORTS BY AMBASSADOR, AID MISSION AND OTHER COUNTRY TEAM OFFICERS TO BRING PROBLEM OF INADEQUATE REVENUES TO ATTENTION OF POLITICAL AND ECONOMIC LEADERS WHO MAY HAVE POLICY ROLE IN NEXT ADMINISTRATION. WE BELIEVE EDUCATIONAL EFFORT IN THIS REGARD SHOULD BE BEGUN NOW IN ORDER TO PRECLUDE ANY CANDIDATE (ESPECIALLY GENERAL LAUGERUD) FROM TAKING PUBLIC POSTURE AGAINST TAX CHANGES, THUS PAINTING HIMSELF INTO A CORNER AS HAPPENED TO ARANA IN 1970. THE EDUCATIONAL EFFORT SHOULD BECOME MORE FOCUSED DURING THE IMMEDIATE POST ELECTIONS PERIOD AS THE NEW GOVERNMENT BEGINS FORMULATING ITS THINKING. REQUEST CT VIEWS. IF IN AGREEMENT, PLEASE PROVIDE PROPOSED OBJECTIVE AND COURSES OF ACTION FOR INSERTION UNDER GOAL E., PAGE 28.

C. PRE- IG AGREED THAT REDUCTION IN FUNDING LEVEL SHOULD BE CONSIDERED IF EFFORTS ENCOMPASSED IN (A) AND (B) ABOVE APPEAR FRUITLESS. IT WAS NOTED IN THIS REGARD, HOWEVER, THAT ACTUAL LOAN LEVELS IN FY 71, 72 AND 73 HAVE ALREADY FALLEN CONSIDERABLY BELOW PROJECTED PLANNING LEVELS BECAUSE OF DIFFICULTIES IN PROJECT DEVELOPMENT. THEREFORE WE HAVE SOME QUESTION ABOUT THE EFFICACY OF THIS SUGGESTED APPROACH TO REFORM.

3. AID FUNDING LEVEL: THE PRE- IG AGREED THAT THE FY 74 LEVEL OF \$13 MILLION WAS A REASONABLE POLICY PLANNING FIGURE AT THIS STAGE ALTHOUGH IT IS \$4 MILLION HIGHER THAN THE FY 74 CONGRESSIONAL PRESENTATION LEVEL. PRE- IG FELT, HOWEVER, THAT FY 75 LOAN LEVEL OF \$38 MILLION WAS TOO HIGH A PLANNING FIGURE. PRE- IG SUGGEST THREE OPTIONS FOR CONSIDERING THE INPUTS RE-
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QUESTED FOR FY 75.

A. INCLUDE ALL LENDING ACTIVITIES, BUT REDUCE LEVELS, ESPECIALLY OF BVE AND RURAL SECTOR, TO CONFORM TO A RECOMMENDED LEVEL IN THE RANGE OF \$15 MILLION ANNUALLY.

B. DEFER CERTAIN ITEMS UNTIL FY 1976, E. G., RURAL
SECTOR \$20 MILLION
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